



Basel II Pillar 3 Quantitative Disclosures for the Six Month  
Period Ended 30 June 2008

<b>1</b>	<b>Executive Summary .....</b>	<b>1</b>
<b>2</b>	<b>Background.....</b>	<b>1</b>
<b>3</b>	<b>Group Structure.....</b>	<b>5</b>
<b>4</b>	<b>Market Discipline .....</b>	<b>5</b>
<b>5</b>	<b>Pillar III Disclosures .....</b>	<b>6</b>
5.1	Capital structure and capital adequacy .....	6
5.2	Capital adequacy ratio of consolidated group and significant subsidiaries .....	7
5.3	Capital requirements for credit risk.....	7
5.4	Capital requirements for market risk .....	8
5.5	Capital requirements for operational risk.....	9
5.6	Gross Credit Exposures.....	9
5.6.1	Gross credit exposure by geographical.....	10
5.6.2	Gross credit exposure by industry .....	10
5.6.3	Gross credit exposure by maturity.....	11
5.6.4	Gross credit exposure by related party breakdown.....	11
5.6.5	Specific and general provision.....	12
5.6.6	Restructured loans .....	12
5.6.7	Disclosure requirement for equity position in banking book .....	12
5.6.8	Movement in fair value of non trading investments.....	13
5.6.9	Gain/Loss on sale of trading investments .....	13
5.6.10	Disclosure concerning interest rate risk in the banking book .....	13
5.6.11	Financial performance and position .....	15

# 1 Executive Summary

As a bank incorporated in the Kingdom of Bahrain, United Gulf Bank B.S.C. ("UGB" or "The Bank") has complied with the new capital adequacy module effective 1 January 2008. This is in accordance with the Central Bank of Bahrain (CBB's) Basel II guidelines.

The management of UGB has taken the decision to adopt the standardized approach for credit risk weighted assets, the standardized approach for market risk weighted assets and the basic indicator approach for determining the capital requirements for operational risk. Although not used for regulatory purposes, the Bank calculates an internal VAR on its trading and banking portfolio of securities in its move towards strengthening risk management policies and processes. It is also the intention of the Bank to move towards the standardized approach of calculating the charge for operational risk at a later date, when it is permitted by the CBB to do so.

This Risk Management and Capital Adequacy disclosure fulfills the Pillar 3 requirements of the Basel II Accord. The objective of implementing Pillar 3 is to improve market discipline through effective public disclosure to complement the reporting templates under Pillar 1 and Pillar 2. The spirit of market discipline can be summed up in the phrase 'accountability through transparency'. Accountability is based on the premise that Bank's management acts in the best interests of external stakeholders – mainly the current and prospective holders of its equity and debt. Transparency is evident when a bank discloses sufficient information so as to allow the stakeholders to make informed judgments as to whether the bank is acting in their best interests.

For the market discipline mechanism to operate effectively, it is imperative that stakeholders receive relevant and meaningful information regarding the financial disclosures and the risk profile of UGB's assets. This report is aimed at providing a description of UGB's risk management and capital adequacy policies and practices, including detailed information on the capital adequacy assessment process.

The disclosed Tier 1 and Total capital adequacy ratios of UGB as at 30th June 2008, are well over the CBB's threshold of 12% with an additional 0.5% as a prudent measure. UGB's BIS ratio for the half year ended June 2008 was 15.9 %, total risk weighted assets were USD 3,742 million: comprising 80% for credit risk, 11.2% for market risk and 8.8% for operational risk.

All figures presented in this report are as at 30th June 2008 unless otherwise stated.

## 2 Background

United Gulf Bank B.S.C. is a joint stock company incorporated in the Kingdom of Bahrain in 1980, under Commercial Registration (CR) number 10550, and listed on the Bahrain and Kuwait Stock Exchanges. The address of the Bank's registered office is UGB Tower, Diplomatic Area, P.O. Box 5964, Manama, and Kingdom of Bahrain.

The Bank operates in Bahrain under a Wholesale Banking License issued by the Central Bank of Bahrain ("the CBB").

The principal activities of the Bank and its subsidiaries (the Group) comprise of investment and commercial banking. Investment banking includes asset management and full range of corporate finance advisory services, investment in quoted and private equity / funds, real estate, capital markets, international banking and treasury functions. Commercial banking includes providing of all kinds of credit facilities, accepting retail deposits and offering wholesale current accounts services.

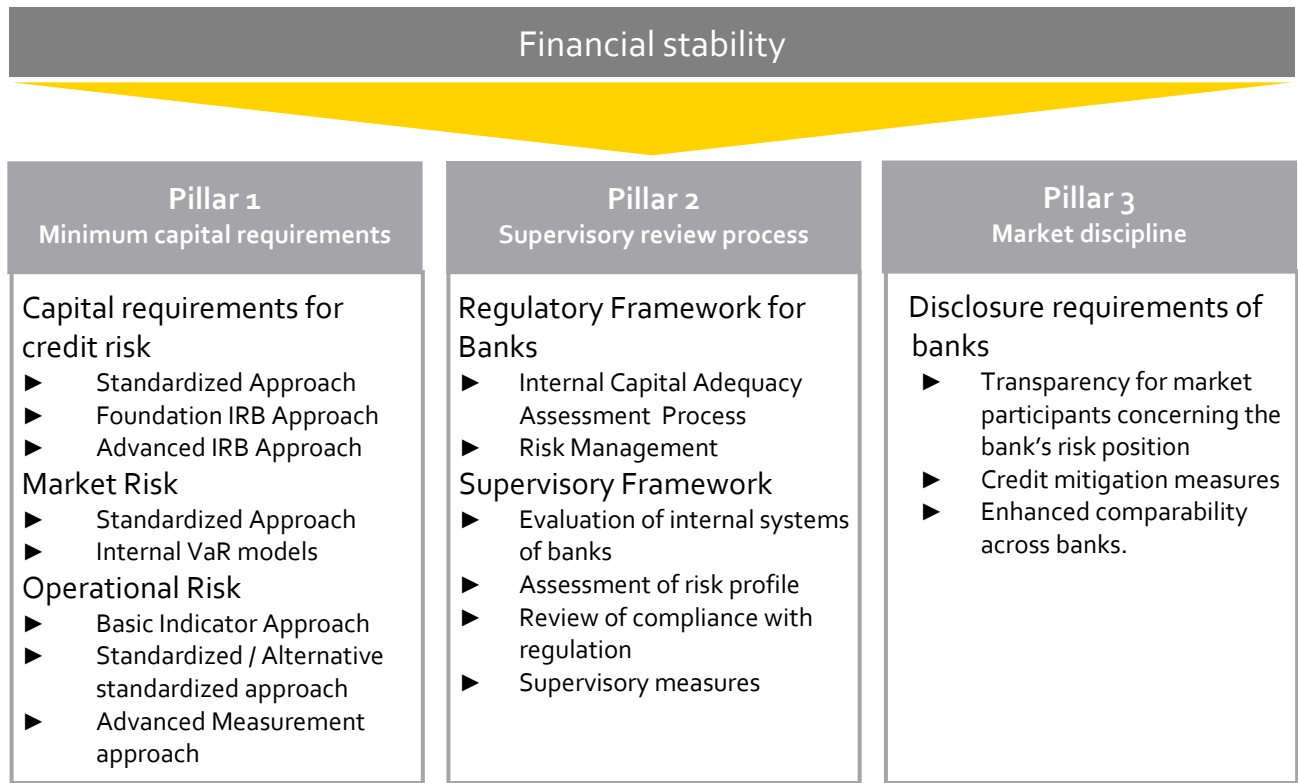
The Bank's parent and ultimate holding company is Kuwait Projects Company (Holding) K.S.C. (KIPCO), a company incorporated in the State of Kuwait and listed on the Kuwait Stock Exchange. As at 30 June 2008 KIPCO owned 88 % of the Bank's outstanding shares.

## Basel II frame work

The CBB's Basel II Framework encompasses three complementary pillars – namely:

<b>Pillar 1</b>	Calculation of the capital adequacy ratio based on the charge for credit, market and operational risk stemming from its operations.
<b>Pillar 2</b>	The supervisory review process including the Internal Capital Adequacy Assessment Process (“ICAAP”) to assess risks not covered under Pillar 1, identify capital relating to these risks and ensuring that the bank has sufficient capital (generated from internal / external resources), to cover the relevant risks.
<b>Pillar 3</b>	Market discipline through public disclosures that are designed to provide transparent information on capital structures, risk exposures, risk mitigation and the risk assessment process.

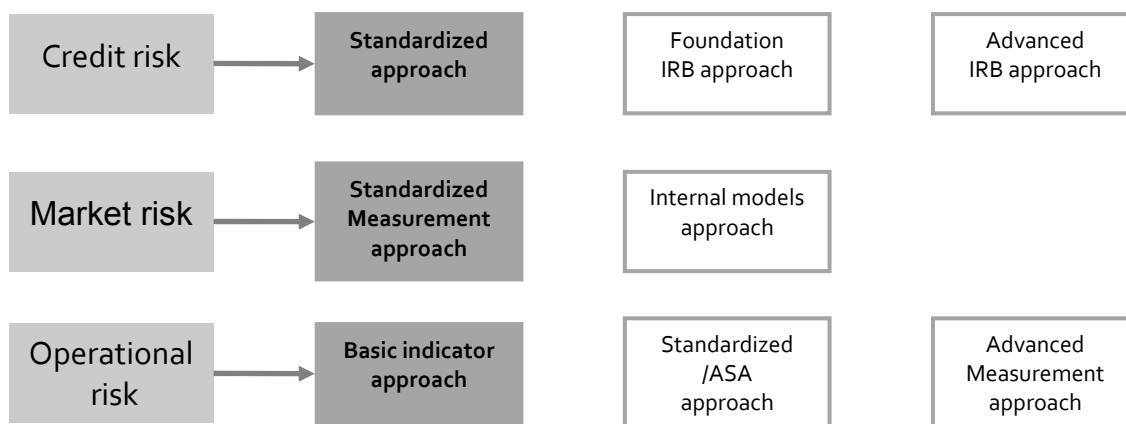
It can be summarized as follows:



The three pillars are designed to be mutually reinforcing and are meant to ensure a capital base which corresponds to the overall risk profile of the underlying bank.

#### Pillar 1 – Minimum Capital Requirements

Pillar 1 of the Basel II Accord published by the Bank of International Settlements, covers the minimum regulatory capital requirement that a bank is expected to maintain to cover credit, market and operational risk stemming from its operations. It sets out the basis for the consolidation of entities for capital adequacy reporting requirements, the definition and calculations of risk weighted assets and the various options given to banks to calculate these risk weighted assets.



Increasing level of sophistication and risk sensitivity

Note: UGB has adopted the standardized methodology for calculating the charge for credit & market risk and the basic indicator approach for determining the charge for operational risk.

On a group-wide basis, UGB's capital management framework is intended to ensure that there is sufficient capital to support the underlying risks of the Bank's business activities and to maintain a "well-capitalized" status under the CBB's regulatory requirements. The minimum capital adequacy ratio ("CAR") for banks incorporated in Bahrain was 12% compared to the Basel Committee's minimum ratio of 8%. There is also a requirement for banks to maintain a buffer of 0.5% above the minimum threshold. UGB assesses its capital adequacy relative to the risks underlying its business activities and takes proactive measures to ensure that it operates above these thresholds in order to meet management's regulatory and debt rating objectives.

In the event that the CAR falls below 12.5%, additional prudential reporting requirements are imposed by the CBB and a formal action plan aimed at restoring the thresholds is to be submitted to the regulator on a weekly basis. With the proposed introduction of Pillar 2, the CBB's intention is to implement a minimum threshold to be determined for each institution individually, based on the ICAAP.

#### Pillar 2 – Supervisory Review Process (SRP)

The Supervisory Review Process of the CBB requires banks to have an internal capital adequacy assessment process that is aimed at capturing a charge for risks not covered under Pillar 1 (eg. Interest rate risk in the banking book, Credit Concentration risk etc.). This is designed to ensure that UGB has sufficient capital to meet regulatory and internal capital requirements during periods of systemic / cyclical economic downturns or tranches of financial distress. Each bank will be individually assessed by the CBB, following which a minimum capital adequacy ratio will be set based on the regulator's assessment of the financial strength and risk management practices of the institution. The Pillar 2 requirements of the CBB are currently 'work in progress' and until this exercise is completed, UGB is mandated to maintain only the flat minimum capital adequacy ratio requirement of 12% plus the 0.5% buffer.

#### Pillar 3 – Market Discipline

Pillar 3 of the Basel II Accord, imposes certain disclosure requirements which are extended and more precisely defined compared to the current regulations. The objective of these is to ensure that more information on the transactions and risk strategy of a bank is available to stakeholders. It is assumed that the reactions of market participants (shareholders, creditors, counterparties and external rating agencies amongst others) will have a "disciplining" effect in terms of their assessment about the bank's risk profile and the level of capitalization.

### 3 Group Structure

The Group's financial statements are prepared and published on a full consolidation basis, with all subsidiaries being consolidated in accordance with IFRS. For capital adequacy purposes, all subsidiaries are included within the Group structure. However, the CBB's capital adequacy methodology accommodates both normal and aggregation forms of consolidation.

The principal subsidiaries for capital adequacy purposes are as follows:-

Name of the subsidiary	Country of incorporation	Effective ownership as at 30 June 2008	Year of Incorporation
Algeria Gulf Bank	Algeria	83%	2003
KIPCO Asset Management Company (KAMCO)	Kuwait	72%	1998
Tunis International Bank (TIB)	Tunisia	77%	1982
United Gulf Bank Securities Company	Bahrain	92%	1998
United Gulf Financial Services Company	Qatar	89%	2006

### 4 Market Discipline

The following disclosures have been provided in accordance with CBB rule book Volume 1 PD 3.1 (PD module). These disclosures also include the requirements of Basel II Pillar 3 and International Financial reporting Standard (IFRS) 7. The Bank has only provided quantitative disclosures for the half year ended 30 June 2008. IFRS and Basel II share overlapping themes, including the goal of increasing the transparency of financial institutions and their operations while allowing regulatory bodies and other users of market information to be more knowledgeable in decision making.

PD module sets out required disclosures to allow market participants to assess key pieces of information on the scope of application, capital structure, risk exposures, risk assessment processes, and hence the capital adequacy of the institution. [PD module is similar to IFRS 7 and Basel II (Pillar 3) on risk disclosures and amended IAS 1 on capital disclosures. The requirements of PD module are more or less similar to IFRS and Pillar 3]. PD module mainly emphasis the importance of disclosed risk information being consistent with the view of management, and it requires both qualitative and quantitative information. PD module requires that disclosures provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

## 5 Pillar III Disclosures

The disclosures required under CBB Rulebook PD 3.1.6 are as follows;

### 5.1 Capital structure and capital adequacy

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios") and adopted by the CBB.

The primary objectives of the Group's capital management are to ensure that the Group complies with capital requirements of the CBB and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, or issue capital securities.

The total eligible capital (tier 1 and 2) calculated in accordance with CBB guidelines are as follows;

<b>Capital</b>	<b>US\$'000</b>
<b>Tier 1 Capital</b>	
Permanent shareholders' equity	204,754
Share premium	6,685
Legal reserves	68,767
General reserves	51,968
Treasury share reserves	13,551
Retained earnings	157,905
Minority interest in consolidated subsidiaries	152,537
Less:	
Goodwill	(11,409)
Gross losses from application of the fair value option for financial instruments	(7,521)
<b>Total Tier 1 Capital</b>	<u>637,237</u>
<b>Deductions</b>	
Significant minority investments in banking, securities and other financial entities unless pro-rata consolidated	(83,252)
Excess amount over materiality thresholds in case of investment in commercial entities	(39,082)
Total Deductions	<u>(122,334)</u>
<b>Net Available Capital</b>	<u>514,903</u>

## Tier 2 Capital

US\$'000

Interim retained profits	71,502
Unrealized gross gains from application of the fair value option for financial instruments	39,263
Subordinated debts	100,000
Less: Reciprocal cross-holdings of bank capital	(7,077)
Tier 2 Capital	<u>203,688</u>
Deductions	
Significant minority investments in banking, securities and other financial entities unless pro-rata consolidated	(83,252)
Excess amount over materiality thresholds in case of investment in commercial entities	(39,082)
Total Deductions	<u>(122,334)</u>
Net Available Capital	<u>81,354</u>
<b>Total Eligible Capital</b>	<u>596,257</u>

## 5.2 Capital adequacy ratio of consolidated group and significant subsidiaries

The Group's policy is to maintain a strong capital base so as to preserve investor, creditor and market confidence and to sustain the future development of the business. The impact of the level of capital on shareholders' return is also recognized as well as the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group manages its capital structure and makes adjustments to the structure taking account of changes in economic conditions and strategic business plans. The capital structure may be adjusted through the dividend payout, and the issue of new shares, subordinated term finance, and innovative tier 1 capital securities.

The capital adequacy ratios of group and principal subsidiaries were as follows;

	Consolidated US\$'000	KAMCO US\$'000	TIB US\$'000	AGB US\$'000
Total eligible capital base	596,257	445,230	82,421	55,603
Credit risk weighted exposures	2,991,731	911,543	291,719	404,262
Market risk weighted exposures	421,757	144,032	1,723	-
Operational risk weighted exposures	328,100	188,338	28,571	18,369
Total risk weighted exposures	3,741,588	1,243,913	322,013	422,631
Total capital adequacy ratio	15.9%	35.8%	25.6%	13.2%
Tier 1 ratio	13.8%	28.4%	19.6%	11.7%

The Bank aims to maintain a minimum tier 1 ratio of 8 per cent and a total capital adequacy ratio in excess of 12 per cent. The CBB's current minimum total capital adequacy ratio for banks incorporated in Bahrain is set at 12 per cent. The CBB does not prescribe a minimum ratio requirement for tier 1 capital.

## 5.3 Capital requirements for credit risk

For regulatory reporting purposes, Bank calculates the capital requirements for credit risk based on the standardised approach. Under the standardised approach on and off balance sheet credit exposures are assigned to exposure categories based on the type of counterparty or underlying exposure. The exposure categories are referred to in the CBB's Basel II capital adequacy framework as standard portfolios. The primary standard portfolios are claims on

sovereigns, claims on banks and claims on corporate. Following the assignment of exposures to the relevant standard portfolios, the RWAs are derived based on prescribed risk weightings. Under the standardised approach, the risk weightings are provided by the CBB and are determined based on the counterparty's external credit rating. The external credit ratings are derived from eligible external rating agencies approved by the CBB. UGB uses ratings assigned by Standard & Poor's, Moody's and Fitch.

An overview of the exposures, RWAs and capital requirements for credit risk analysed by standard portfolio is presented in the table below

	<b>Total exposure US\$'000</b>	<b>RWA US\$'000</b>	<b>Capital requirement US\$'000</b>
Total Claims on Sovereigns	11,587	254	30
Total Claims on International Organizations	500	-	-
Total Claims on PSEs	4,425	4,425	531
Total Claims on Banks	788,824	193,236	23,188
Claims on Corporates including Insurance			
Companies & Category 3 Investment Firms	506,043	506,043	60,725
Claims on investment firm	10,075	5,038	605
Past Due Exposure	12,980	12,980	1,558
Equity Investments			
Listed	746,855	746,855	89,623
Unlisted	948,629	1,422,944	170,753
Other Assets and Holding of Securitization Tranches	99,957	99,956	11,995
<b>Total</b>	<b>3,129,875</b>	<b>2,991,731</b>	<b>359,008</b>

The individual counter party risk where exposure is in excess of 15% individual obligor limit is US\$ 332.47 million as at 30 June 2008.

## 5.4 Capital requirements for market risk

The Bank uses standardised approach to calculate the regulatory capital requirements relating to general market and specific market risk. The resultant measure of market risk is multiplied by 12.5, the reciprocal of the theoretical 8 per cent minimum capital ratio, to give market risk-weighted exposure on a basis consistent with credit risk-weighted exposure.

The RWAs and capital requirements for market risk are presented in the table below:

	<b>RWA US\$ 000</b>	<b>Capital requirement US\$ 000</b>
Equity position risk	217,458	26,095
Foreign exchange risk	204,299	24,516
<b>Total</b>	<b>421,757</b>	<b>50,611</b>

The minimum and maximum values of capital requirements for equity position risk and foreign exchange risk over the last six month period are as follows:

	<b>Equity Position Risk US\$ 000</b>	<b>Foreign Exchange Risk US\$ 000</b>
Minimum values	24,150	24,516
Maximum values	26,095	24,898

## 5.5 Capital requirements for operational risk

For regulatory reporting purposes, the capital requirement for operational risk is calculated according to the basic indicator approach. Under this approach, the Group's average gross income over the preceding three financial years is multiplied by a fixed alpha coefficient. The alpha coefficient has been set at 15 per cent in the CBB's Basel 2 capital adequacy framework. The capital requirement for operational risk as at 30th June 2008 amounted to US\$ 39.37 million.

## 5.6 Gross Credit Exposures

The table below shows the maximum exposure to credit risk for the components of on and off balance sheet. The maximum exposure shown is gross before effect of mitigation through the use of master netting and collateral arrangements.

	<b>US\$ 000</b>
Demand and call deposits	98,042
Time deposits with banks	582,025
Non-trading investments	11,383
Loans and advances	383,076
Other assets	65,280
Off balance sheet items	213,122
	<b><u>1,352,928</u></b>

### 5.6.1 Gross credit exposure by geographical

A geographical sector analysis of the Group's financial assets, before taking into account collateral held or other credit enhancements, is as follows:

	<b>Gulf Co- operation Council countries (G.C.C.) US\$ 000</b>	<b>Middle East and North Africa (excluding G.C.C.) US\$ 000</b>	<b>European Union countries US\$ 000</b>	<b>Asia US\$ 000</b>	<b>Others US\$ 000</b>	<b>Total US\$ 000</b>
Bank demand and call deposits	37,831	58,391	1,461	115	244	98,042
Time deposits	175,407	99,092	307,526	-	-	582,025
Investments available for sale	-	2,708	-	-	-	2,708
Investments held to maturity	-	8,675	-	-	-	8,675
Loans and advance, net	16,635	341,400	-	14,025	11,016	383,076
Interest receivable and other assets	42,794	20,013	1,122	-	1,351	65,280
Off balance sheet items	1,009	212,113	-	-	-	213,122
<b>Total</b>	<b>273,676</b>	<b>742,392</b>	<b>310,109</b>	<b>14,140</b>	<b>12,611</b>	<b>1,352,928</b>

### 5.6.2 Gross credit exposure by industry

An industry sector analysis of the Group's financial assets and off balance sheet items, before taking into account collateral held or other credit enhancements, is as follows:

	<b>Trading and manufacturing US\$ 000</b>	<b>Banks and other financial institutions US\$ 000</b>	<b>Construction and real estate US\$ 000</b>	<b>Government and public sector US\$ 000</b>	<b>Individuals US\$ 000</b>	<b>Others US\$ 000</b>	<b>Total US\$ 000</b>
Bank demand and call deposits	-	98,042	-	-	-	-	98,042
Time deposits	-	582,025	-	-	-	-	582,025
Investments available for sale	-	-	-	2,708	-	-	2,708
Investments held to maturity	-	-	-	8,675	-	-	8,675
Loans and advance, net	237,522	78,538	904	-	18,665	47,447	383,076
Interest receivable and other	322	7,537	43	-	46	57,332	65,280
Off balance sheet items	-	187,538	25,584	-	-	-	213,122
<b>Total</b>	<b>237,844</b>	<b>953,680</b>	<b>26,531</b>	<b>11,383</b>	<b>18,711</b>	<b>104,779</b>	<b>1,352,928</b>

### 5.6.3 Gross credit exposure by maturity

The maturity analysis of financial assets and off balance sheet items analysed according to when they are expected to be recovered or settled are as follows:

	<b>Up to 3 months US\$ 000</b>	<b>4 months to 1 year US\$ 000</b>	<b>2 to 5 years US\$ 000</b>	<b>6 to 10 years US\$ 000</b>	<b>11 to 20 years US\$ 000</b>	<b>Total US\$ 000</b>
Demand and call deposits with banks	97,989	-	-	-	53	98,042
Time deposits with banks	517,727	58,863	5,435	-	-	582,025
Non-trading investments	-	-	11,383	-	-	11,383
Loans and advances	53,924	192,128	137,024	-	-	383,076
Other assets	19,333	42,139	3,808	-	-	65,280
Off balance sheet	-	213,122	-	-	-	213,122
<b>Total</b>	<b>688,973</b>	<b>506,252</b>	<b>157,650</b>	<b>-</b>	<b>53</b>	<b>1,352,928</b>

### 5.6.4 Gross credit exposure by related party breakdown

The related party exposures including off balance sheet items are analysed as follows:

	<b>Major shareholders US\$ 000</b>	<b>Associates US\$ 000</b>	<b>Other related parties US\$ 000</b>	<b>Total US\$ 000</b>
Time deposits with banks	-	-	45,000	45,000
Investments carried at fair value through statement of income	9,936	1,763	28,193	39,892
Investments, carried at fair value through statement of income, in funds managed by related party	-	-	13,911	13,911
Non-trading investments	10,877	2,244	90,755	103,876
Loans and advances	-	-	4,176	4,176
Other assets	1,796	1,804	5,514	9,114
Letter of credit	-	630	12,460	13,090

### 5.6.5 Specific and general provision

The movement in provision for losses of loans, non-trading investments (available for sale investments), and other assets and off balance sheet items and collective impairment provision is as follows:

	Loans US\$'000	Investments US\$'000	Other assets and off balance sheet items US\$'000	Collective impairment provision US\$'000
At beginning of the year	11,096	17,137	10,208	2,184
Write backs / cancellation due to improvement	-	450		
Additional provisions made	1,650	-	(1,323)	150
Balance at reporting date	<b>12,746</b>	<b>16,687</b>	<b>8,885</b>	<b>2,334</b>

### 5.6.6 Restructured loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. The carrying amounts of the loans whose terms have been renegotiated as at 30 June 2008 are not material.

### 5.6.7 Disclosure requirement for equity position in banking book

The break down of Banks' equity, mutual funds and debt position in the Banking book are as follows:

	Banking Book US\$'000
Debt securities	<b>19,369</b>
Listed	13,596
Unlisted	5,773
Equity securities and mutual funds	<b>929,303</b>
Listed	335,130
unlisted	594,173
Managed funds	<b>16,152</b>
Total investments	<b>964,824</b>
Investment properties	
Cost	25,632
Market Value	<b>27,129</b>
Interest in subsidiaries and associated companies	<b>878,045</b>

### 5.6.8 Movement in fair value of non trading investments

The movement in fair value of non trading investments is as follows:

	US\$'000
At beginning of the year	52,405
Exchange adjustment and other movements	49,800
Net unrealized gains / (losses)	<u>102,205</u>
Transfer to income statement:	
Realized	<u>23,088</u>
Balance as at 30 June 2008	<u>79,117</u>

### 5.6.9 Gain/Loss on sale of trading investments

The realized/ unrealized gain/losses on trading investments are as follows:

	US\$'000
Realized gain/(loss) on sale on sale of trading investments	21,747
Unrealized gain/(loss) on trading investments	<u>(1,253)</u>
	<u>20,494</u>

### 5.6.10 Disclosure concerning interest rate risk in the banking book

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Positions are monitored on a daily basis and hedging strategies are used to ensure that positions are maintained within the established limits.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's income statement based on the balance sheet position as of 30 June 2008.

<b>Currency</b>	<b>Increase in basis points</b>	<b>Sensitivity of net interest income US\$ 000</b>
Kuwaiti Dinar	+ 25	(1,032)
United States Dollar	+ 25	(1,418)
Euro	+ 25	(49)
Pound Sterling	+ 25	3
Others	+ 25	(18)

The decrease in the basis points will have an opposite impact on the net interest income.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and financial liabilities held at 30 June 2008, including the effect of hedging instruments.

There are no material interest bearing securities in non trading investments, hence no sensitivity of equity has been disclosed.

The detail of interest rate sensitive assets, liabilities and off balance sheet exposures is as follows;

	<b>Upto 3 months US\$ 000</b>	<b>3 months to 1 year US\$ 000</b>	<b>Over 1 year US\$ 000</b>	<b>Non-interest rate sensitive US\$ 000</b>	<b>Total US\$ 000</b>
<b>Assets</b>					
Bank demand and call deposits	97,989	-	53	-	98,042
Time deposits	573,457	8,568	-	-	582,025
Securities held for trading	-	-	-	108,730	108,730
Funds held for trading	-	-	-	303,100	303,100
Investments available for sale	-	-	-	653,049	653,049
Investments held to maturity	-	-	8,675	-	8,675
Investment in associated companies	-	-	-	878,046	878,046
Loans and advance, net	42,599	201,818	138,655	4	383,076
Investment properties	-	-	-	27,130	27,130
Interest receivable and other assets	2,619	-	-	69,547	72,166
Properties and equipment	-	-	-	14,942	14,942
Goodwill	-	-	-	11,409	11,409
<b>Total assets</b>	<b>716,664</b>	<b>210,386</b>	<b>147,383</b>	<b>2,065,957</b>	<b>3,140,390</b>
<b>Liabilities:</b>					
Due to banks and other financial institutions	656,916	44,892	-	-	701,808
Deposits from customers	545,242	1,977	-	197	547,416
Current portion of the long-term loans	256,500	-	-	-	256,500
Long term loans	294,000	20,000	255,489	1,000	570,489
Bonds	100,000	-	74,762	-	174,762
Interest payable and other liabilities	3,208	-	-	77,640	80,848
Minority Interest	-	-	-	152,537	152,537
Shareholders Equity	-	-	-	656,030	656,030
<b>Total liabilities and shareholders' Equity</b>	<b>1,855,866</b>	<b>66,869</b>	<b>330,251</b>	<b>887,404</b>	<b>3,140,390</b>
On balance sheet gap	(1,139,202)	143,517	(182,868)	1,178,553	-
Cumulative gap	(1,139,202)	(995,685)	(1,178,553)	-	-
<b>Off balance sheet items</b>					
Interest rate Swaps	-	50,000	175,000	-	225,000
Forward foreign exchange contracts	318,834	3,127	-	-	321,961

### 5.6.11 Financial performance and position

The Bank has entered into an agreement whereby the Bank's ownership in the following commercial banks will be transferred to Burgan Bank, Kuwait for US\$ 725 million subject to regulatory approvals.

- ▶ Algeria Gulf Bank (83% equity stake)
- ▶ Bank of Baghdad (45% equity stake)
- ▶ Jordan Kuwait Bank (44% equity stake)
- ▶ Tunis International Bank (77% equity stake)

Accordingly, the above investments are classified as investments held for sale in accordance with IFRS 5 in the interim condensed consolidated financials statements of 30 June 2008.

Commercial Banks transfer proceeds will be reinvested by acquiring up to 20% equity stake in Burgan Bank, Kuwait. The gain (before expenses) on the transfer will be approximately US\$ 400 million which will be recorded in the second half of 2008. As a result of the transfer of commercial banks, consolidated capital adequacy ratio will improve to approximately 31%.

Past due but not impaired loans are US\$ 12.98 million as at 30 June 2008 and relates to Tunis International Bank and Algeria Gulf Bank (disposal group subsidiaries).